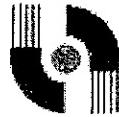


MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 1, 2019/2020

**BAC 3674 – ADVANCED MANAGEMENT ACCOUNTING**  
(All sections / Groups)

14<sup>th</sup> October 2019  
9 a.m. – 12 p.m.  
(3 Hours)

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**INSTRUCTIONS TO STUDENT:**

1. This paper consists of **FOUR (4)** pages excluding cover page with **4** Questions only.
2. Answer **ALL** questions.
3. All questions carry equal marks and the distribution of marks for each question is given.
4. Please write all your answers in the Answer Booklet provided.

## QUESTION 1

### PART A

- i) What is a balanced scorecard? What is its primary objective? (2 marks)
- ii) According to Kaplan and Norton, a balanced scorecard must show four different perspectives. Discuss the nature of each perspective, and how the perspectives are linked. (6 marks)
- iii) Match each of the following performance measures to one or more of the four perspectives of a balanced scorecard. Note that a performance indicator can relate to more than one perspective.

Performance Indicators	Balanced Scorecard Perspectives
Return on assets	Organizational learning and growth
Employee turnover	Business and production process efficiency
Customer satisfaction	Customer value
Employee retention	Financial performance
Product quality	
Product innovation	
Inventory turnover	
Increase in market share	
Innovativeness	
Supplier relations	
Employee training and education	
Employee productivity and error rates	

(6 marks)

### PART B

Seri Bhd. just started operations. It purchased depreciable assets costing RM2 million and having an expected life of four years, after which the assets can be salvaged for RM400,000. In addition, the division has RM2 million in assets that are not depreciable. After four years, the division will have RM2 million available from these nondepreciable assets. In short, the division has invested RM4 million in assets that will last four years, after which it will salvage RM2.4 million, so annual depreciation is RM400,000. Annual cash-operating flows are RM1,000,000. In computing ROI, this division use end-of-year asset values in the denominator. Depreciation is computed on a straight-line basis, recognizing the salvage value.

**Continued...**

**Required:**

- i) Compute ROI using net book value and gross book value for each year. (6 marks)
- ii) Assume the division uses beginning-of-year asset values in the denominator. Compute ROI using net book value. (2 marks)
- iii) Explain the difference between your answer in (i) and (ii). (3 marks)

**[TOTAL: 25 MARKS]****QUESTION 2**

Ellis Bhd. produces high quality blankets sold to hotels and resorts. Blankets must be well made because of frequent washings. Currently, Ellis sells 10,000 blankets at RM60 each with the capacity to produce 12,000 blankets. Ellis is considering a special order from a hotel chain in Kenya for 1,000 blankets at a price of RM45. Currently, Ellis has the following costs:

Unit costs	RM250,000
Product level costs	RM40,000
Facility costs	RM125,000

If Ellis accepts the special order, they will incur an additional RM2 per blanket in foreign currency transaction costs. No other product or facility costs will change.

**Required:**

- a) Determine the impact of the special order on Ellis. Prepare your analysis in good form. (10 marks)
- b) What other factors should Ellis consider in taking the special order? (4 marks)
- c) The manager of a telecommunication company once commented, not all future costs are relevant to business decisions, but costs are not relevant unless they occur in the future. Is the manager correct? Explain. (4 marks)
- d) The forces of global competition and technological advancements have caused profound changes in business organizations including Ellis Bhd. To survive, managers must develop ways to achieve the competitive changes needed in organizations. One of the management tools being used to undertake this challenge is known as business process re-engineering. Define Business Process Re-engineering (BPR) and explain the impact of this towards the company's performance. (7 marks)

**[TOTAL: 25 MARKS]****Continued...**

### QUESTION 3

Elly & Associates provides consulting and tax preparation services to its client. It charges a RM200 fee per hour for each service. The firm's revenues and overhead costs for the year are shown in the following statement:

	Tax (RM)	Consulting (RM)	Total (RM)
Revenue	260,000	540,000	800,000
Overhead costs:			
Secretarial support			160,000
Supplies			80,000
Computer costs, etc.			<u>60,000</u>
Profit before direct labour costs			<u>500,000</u>

The firm uses ABC and the following cost drivers:

<b>Overhead cost</b>	<b>Cost driver</b>	<b>Activity level</b>	
		<b>Tax preparation</b>	<b>Consulting</b>
Secretarial support	Number of clients	72	48
Supplies	Transaction with clients	200	300
Computer costs, etc.	Computer hours	1,000	600

**Required:**

- Complete the income statement using activity-based costing and the firm's three cost drivers. (8 marks)
- Recompute the income statement using direct labour hours as the only allocation base: 1,300 hours for tax; 2,700 hours for consulting. (4 marks)
- How might the firm's decisions be altered if it were to allocate all overhead costs using direct labour hours? (4 marks)
- Under what circumstances would the labour-based allocation and activity-based costing result in similar profit results? (4 marks)
- This business decides to change from 'incremental budgeting' to 'zero-based budgeting'. Distinguish between these two approaches. (5 marks)

**[TOTAL: 25 MARKS]**

**Continued...**

## QUESTION 4

You are currently evaluating on an appraisal of a project to purchase a new machine in a company which you have been appointed as an assistant accountant. The machine will cost RM65,000 and will have a useful life of three years. You have already estimated the cash flows from the project and their taxation effect, and the results of your estimates can be summarized as follows:

	Year 1	Year 2	Year 3
After-tax cash inflow	RM20,000	RM32,000	RM29,000

Your company uses an after-tax cost of capital of 8% to appraise all projects of this type:

Note:

	Year 1	Year 2	Year 3
Discount factor (8%)	0.926	0.857	0.794

**Required:**

- a) Calculate the net present value of the proposal to purchase the machine. Ignore the effects of inflation and assume that all cash flows occur at the end of the year. (5 marks)
- b) Calculate the payback period for the investment in the machine. (2 marks)
- c) The marketing director has asked you to let her know as soon as you have completed your appraisal of the project. She has asked you to provide her with some explanation of your calculations and of how taxation affects the proposal.

**Required:**

Prepare a memorandum to the marketing director which answers her queries. Your memorandum should contain the following:

- i. Your recommendation concerning the proposal to purchase a new machine.
- ii. An explanation of the meaning of the net present value and the payback period.
- iii. An explanation of the effects of taxation on the cash flows arising from capital expenditure. (8 marks)
- d) One of top management in this company does not grasp the difference between committed and discretionary costs. You are required to explain the difference between these two categories of costs. (5 marks)
- e) Could a cost be considered discretionary by one firm and committed by another? If so, discuss and give an example. If not, discuss why not. (5 marks)

[TOTAL: 25 MARKS]

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